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INTERNAL AUDIT DEPARTMENT

Audit No. 2216

July 25, 2002

TO: Michael Schumacher, Ph.D.
County Executive Officer

SUBJECT: Secondary Follow-Up of Department Control Review of Local Redevelopment Authority (LRA) Revolving Fund, Audit No. 2123

We have completed a secondary follow-up examination of the Local Redevelopment Authority (LRA) Revolving Fund process. Our examination was limited to a review as of June 30, 2002, of the LRA's planned action stated in our initial follow-up audit report dated February 11, 2002. The LRA's planned action stemmed from our original audit report dated March 7, 2001.

The initial follow-up audit report contained one recommendation not fully implemented from the original audit. Our second review indicated the recommendation has still not been fully implemented due to the reasons discussed below.

Effective June 6, 2002, the LRA went under the administration of the County Executive Office (CEO) resulting from the passage of Measure W in March 2002. The LRA no longer exists as a separate department. Most of the LRA staff has either transferred to other agencies/departments or have left the County.

The audit report recommendation not fully implemented is noted below along with a comment on the current status.

1. Bank and Fund Reconciliations

Recommendation:

We recommend LRA ensure that revolving fund bank and fund reconciliations are prepared using a proper reconciliation format, are done monthly, and have documented supervisory reviews.

Initial Follow-Up Status: **Partially Implemented.** The revolving fund bank and fund reconciliations were prepared monthly using a proper reconciliation format. The fund reconciliations had documented supervisory reviews; however, the reviews of the bank reconciliations were not done timely, and several months were not reviewed. The individual reviewing the reconciliation works at an offsite location and performed the reviews only when he visited the LRA office.

LRA Planned Action:

Effective immediately, the LRA will ensure bank reconciliations are reviewed monthly. A staff meeting is held monthly at the LRA office and the responsible individual will review the reconciliation on that day.

Current Status: **Partially Implemented.** We were informed that due to staffing constraints and other priorities, the revolving fund bank reconciliations were prepared for January and February 2002; however, the reconciliations for March through June 2002 were not prepared.

Planned Action: The CEO and LRA plan to reconcile and close out the \$8,000 revolving fund within 90 days from the date of this report.

We appreciate the cooperation and assistance extended to us by the staff of the CEO and LRA.

Sincerely,



Dr. Peter Hughes, CPA
Director, Internal Audit

cc: Members, Board of Supervisors
Members, Audit Oversight Committee
Foreman, Grand Jury
Darlene J. Bloom, Clerk of the Board of Supervisors
William Mahoney, Asst. CEO/Office of Strategic & Intergovernmental Affairs